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# Strategic Purchasing Initiative (SPI)

## PURPOSE & VISION

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October 2004



# Business Transformation: Bottom Line

MCDP 1

## Warfighting



U.S. Marine Corps

PCN 142 000006 00

## Economy of Effort

**“The willingness to focus at the decisive place and time necessitates strict economy and the acceptance of risk elsewhere and at other times.**

**To devote means to unnecessary efforts or excessive means to necessary secondary efforts violates the principle of focus and is counterproductive to the true objective.**

**Focus applies not only to the conduct of war but also to the preparation for war.”**

October 2004



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# **THE BURNING PLATFORMS or WHY WE NEED TO CHANGE or How Parochialism Hurts the Corps**

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October 2004

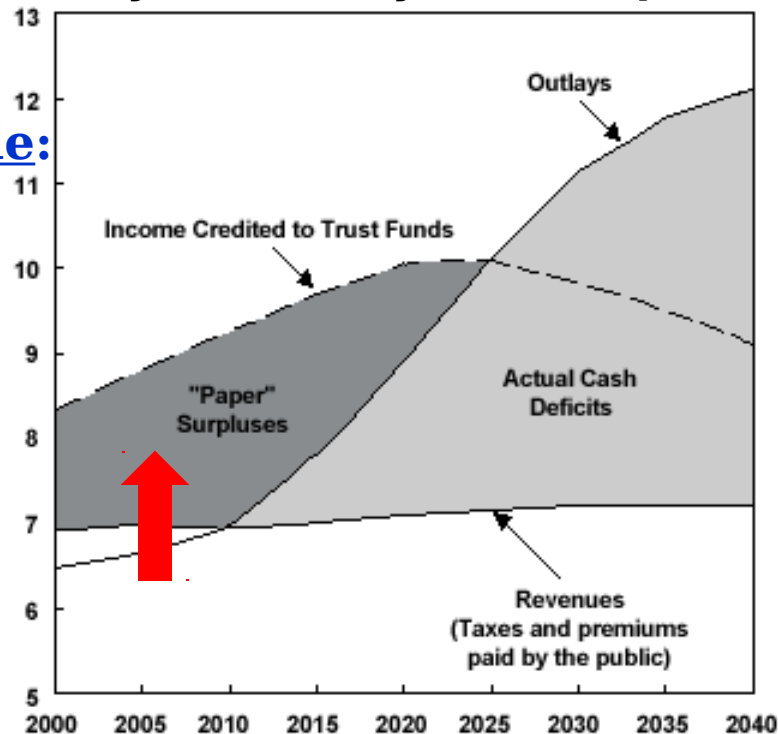


# Pressures

## Projected Outlays for Social Security and Medicare Outstrip the Programs' Revenues Sooner Than the Trust Funds Reflect (By calendar year, as a percentage of

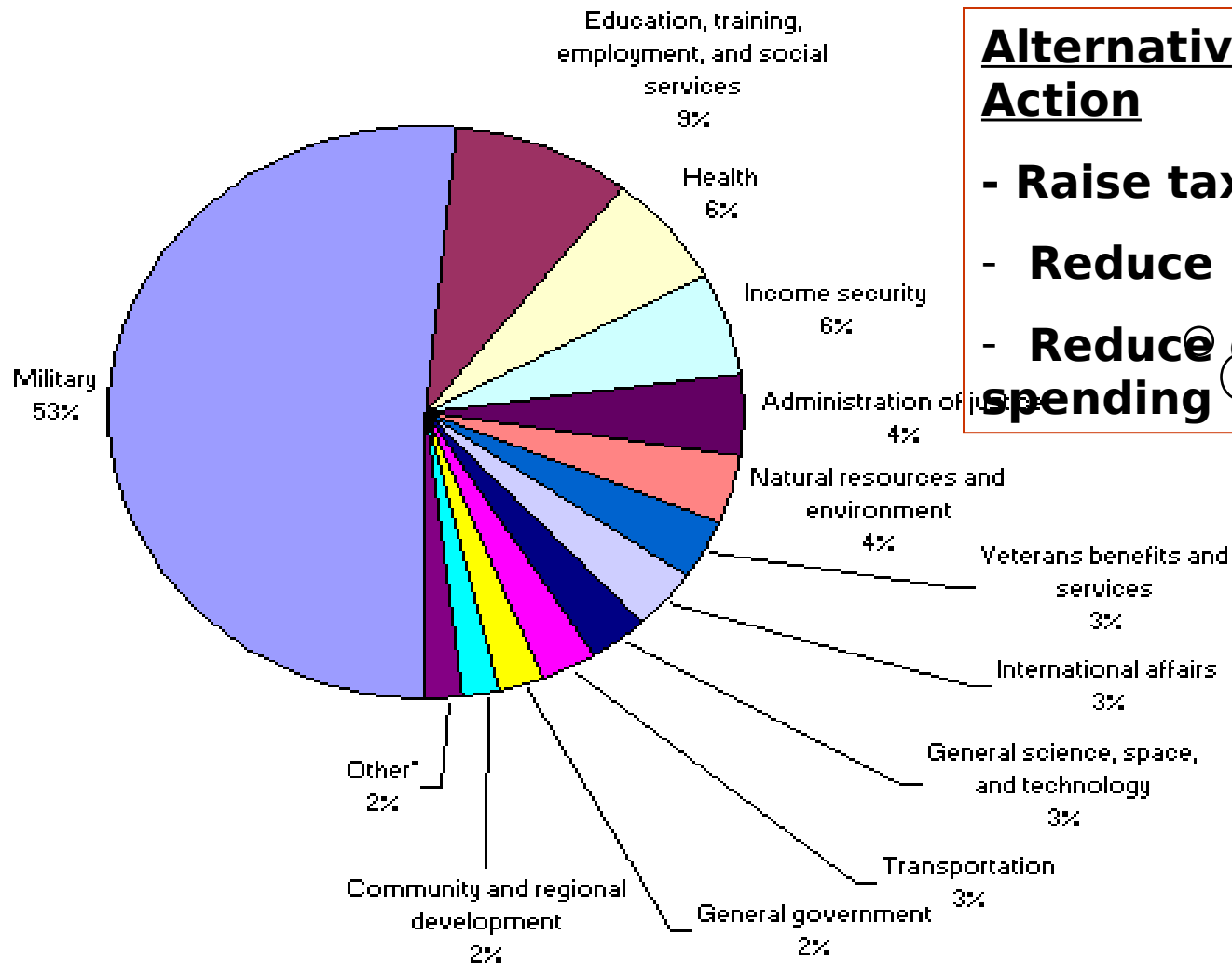
GDP)

USMC pressures include:  
Modernization  
Aging equipment  
Aging facilities  
Increased QOL  
GWOT



Source: Congressional Budget Office based on Social Security Administration, *The 2002 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (March 26, 2002); and Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, *2002 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds* (March 26, 2002).

# Politically Radioactive Solutions



## Alternative Corrective Action

- Raise taxes
- Reduce benefits
- Reduce discretionary spending

More extreme corrective action required as time passes

# Strategic Business Plan Goals

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- **Aggressively** improve business processes **based on:**

- 5 MROC decisions
- CMC POM06 guidance

- **Bottom line metrics:**

- Realign 1,700 Marines to operating forces (by FY12)
- Realign \$600M (\$40/\$120/\$200M annually by FY 08/10/12)
- Clean Financial Audit (FY 07)

The “incentive” is to assist CMC afford the MAGTF 2015 capabilities we need.

- **Key secondary metrics:**

- ABRM Policy published
- Satisfaction/performance measurements
- Competitive sourcing meets MROC decision metrics (900 Marines)
- Business information standards and architecture
- Percent of OPBUD’s organized with essential info elements

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# **STRATEGIC PURCHASING INITIATIVE**



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**October 2004**

# Service Acquisition Burning Platform

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- **Resources**
  - Over half of our purchasing is acquisition
  - \$2.9B non weapons system
- **Training**
  - Little or no systematic training
  - Ultimate customers lack confidence in contract support
- **Organization**
  - Little understanding of the process and who owns it
  - Process is slow and unfriendly - driving customers out of USMC at 3-5% premium for contract support





# Why SPI?

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**IMPROVED  
SUPPORT TO  
THE WARFIGHTER**



Purchasing Best Practices & Best Choices

# What is Strategic Purchasing Initiative (SPI)

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- **A strategic approach to purchasing goods and services**
- **Covers:**
  - Resources
  - Training
  - Organization and structure
- **Based on significant analysis**
  - Spend analysis
  - LR/LB research
  - Other organizations
- **Linked to PPBE to assist CMC afford MAGTF 2015 capabilities**



# Private Sector SPI Actions and Successes

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- **Actions**

- Conduct firm-wide spend analysis
- Rationalize supply base, consolidate contracts
- Establish long-term partnerships with best suppliers
- Help key suppliers improve quality, cost, service
- Integrate key suppliers into organization

- **Results**

- Ford Motors saved 3% a year of purchases
- AMR saved 20% over 5 years
- Honda saved 17% over 4 years
- Chrysler saved 4% a year for six years
- Many firms realize reductions in inspections and improved delivery or service/product



Source: RAND Project Air Force Report

Implementing Best Purchasing and Supply Management Practices - 2002<sup>11</sup>

# More SPI Success By Others

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- **DoN Administrative Services**
  - Minimalist scenario 1% Savings vs Aggressive scenario (3.5%)
  - Benefits include socio-economic primes becoming more competitive
- **USAF - Commodity Councils**
  - Wave I - Aircraft Accessories/Landing Gear/Ground Equipment
  - Wave II - Engines/Electronics/Secondary Power
  - Wave III - Aircraft Structural/Instruments
- **Private Industry**
  - Aberdeen Group low balls saving at 30% & exceeds client expectations
  - Numerous financial success stories & improved support to operators

# Leveraging the Total Force

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# SPI IPT Mission

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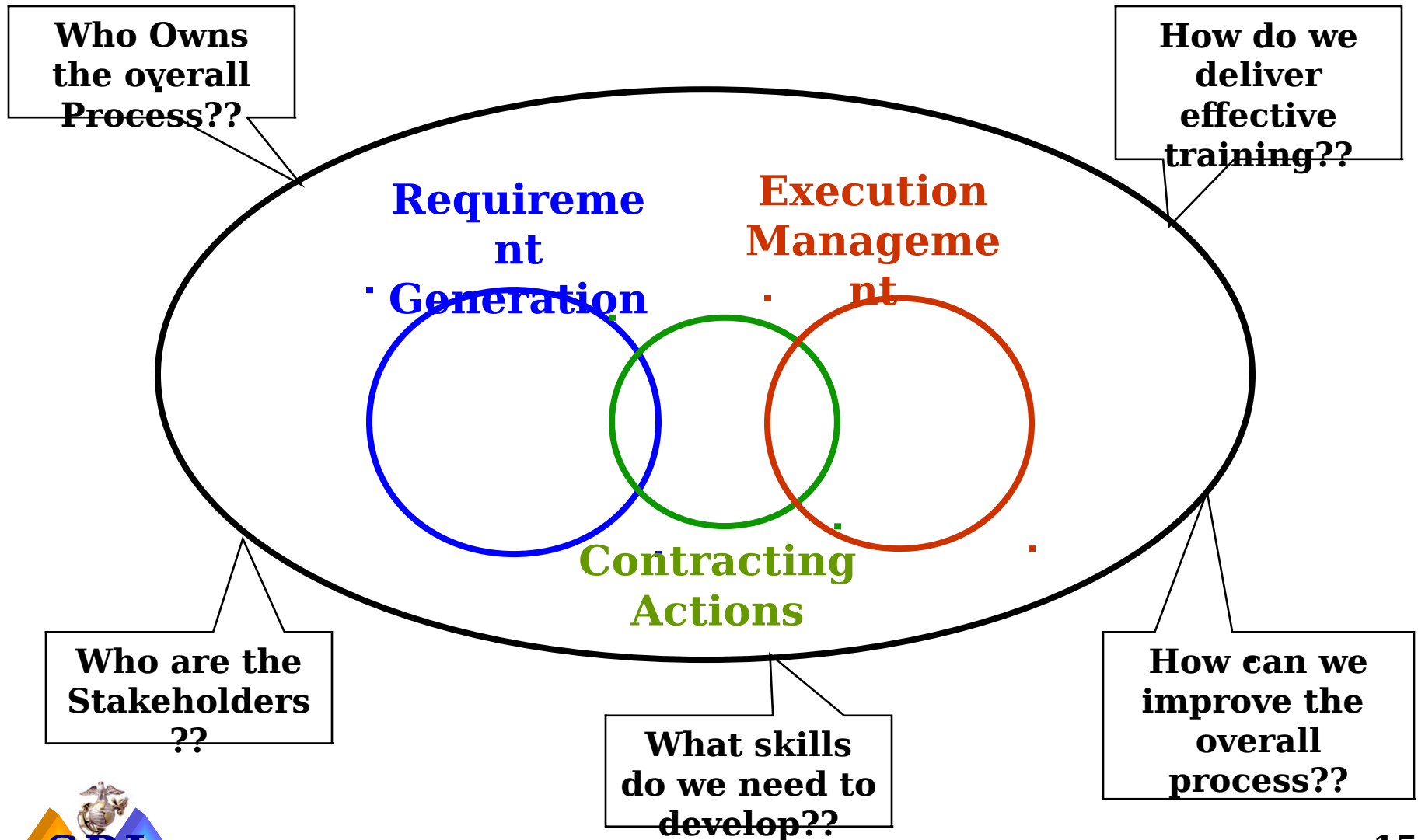
**Conduct an end-to-end review of Marine Corps' product and service acquisition practices in order to identify opportunities for improvement.**

***Coordinate the development, approval, and implementation of action plans based on the following approaches:***

- (1) Coordination of Marine Corps purchasing related initiatives*
- (2) Process mapping, analyses, and best practices*
- (3) Spend analyses, commodity councils, and benchmarking*



# Contracting

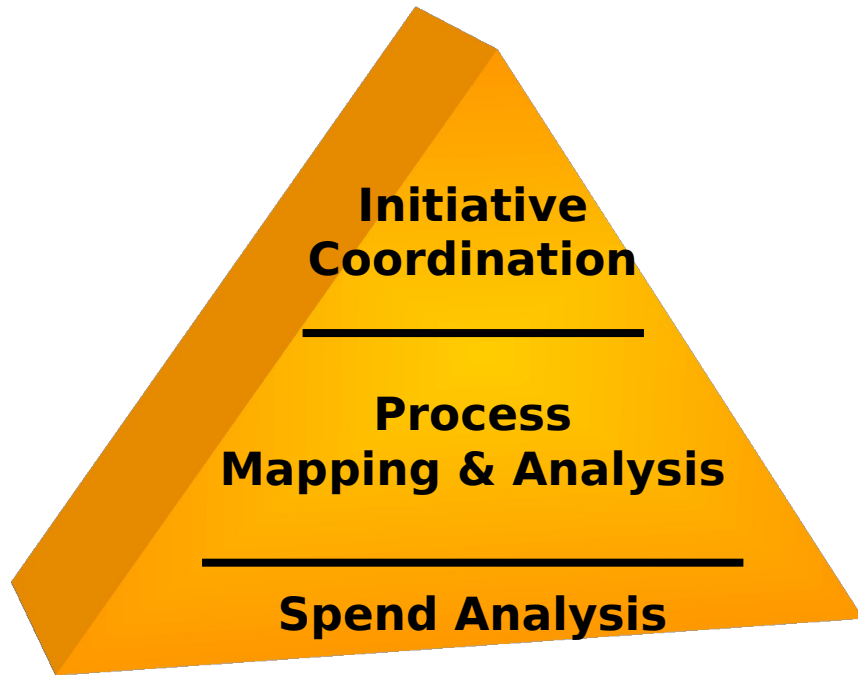


# SPI Dual Approach

*How can we improve Marine Corps purchasing of products and services?*

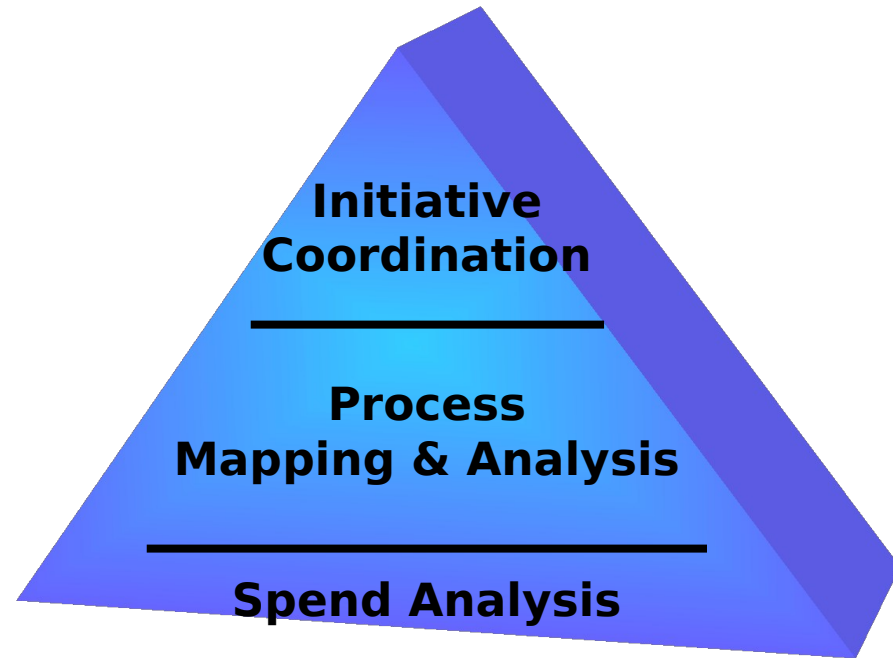
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## Service Acquisition



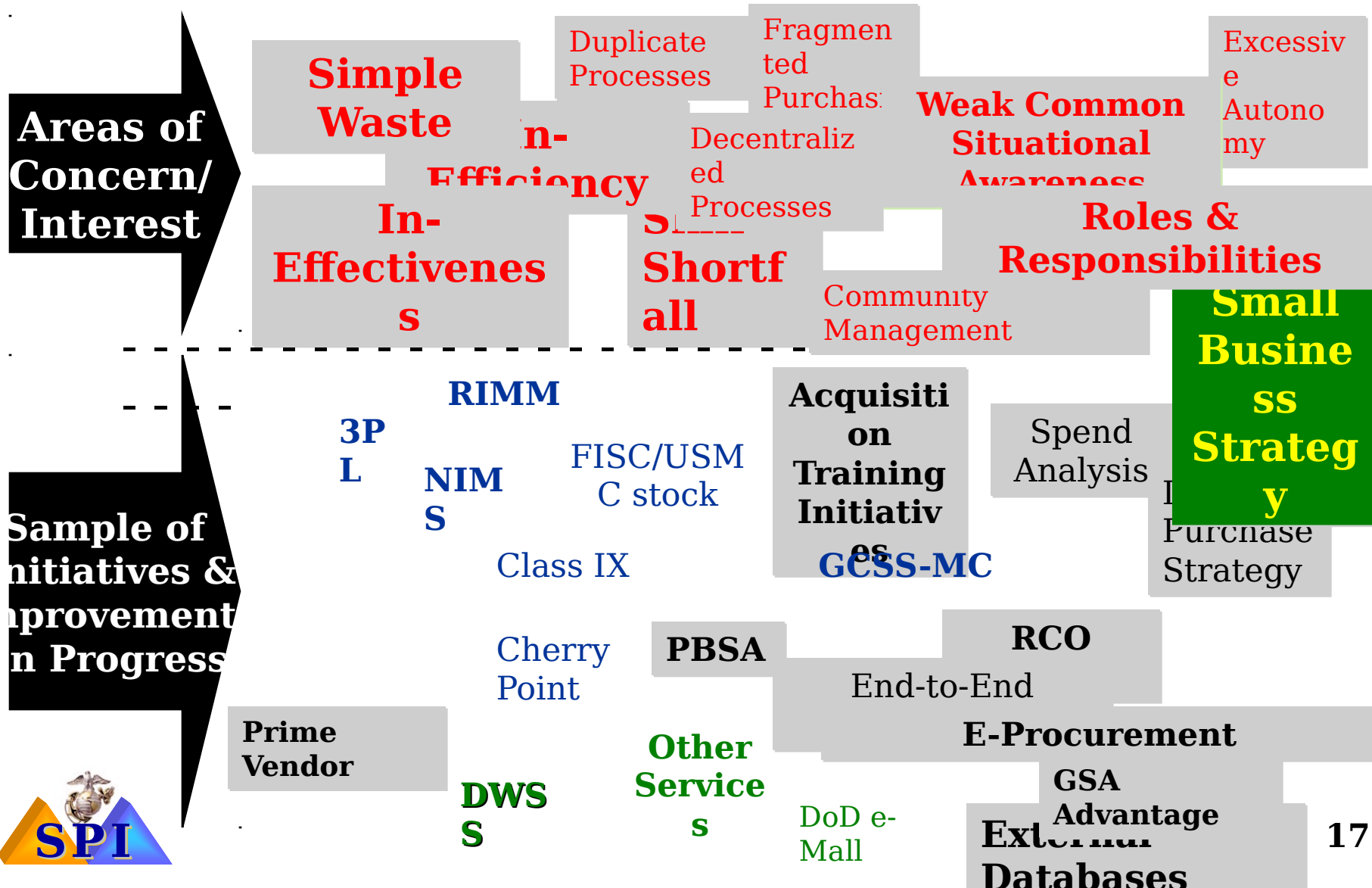
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## Product Acquisition



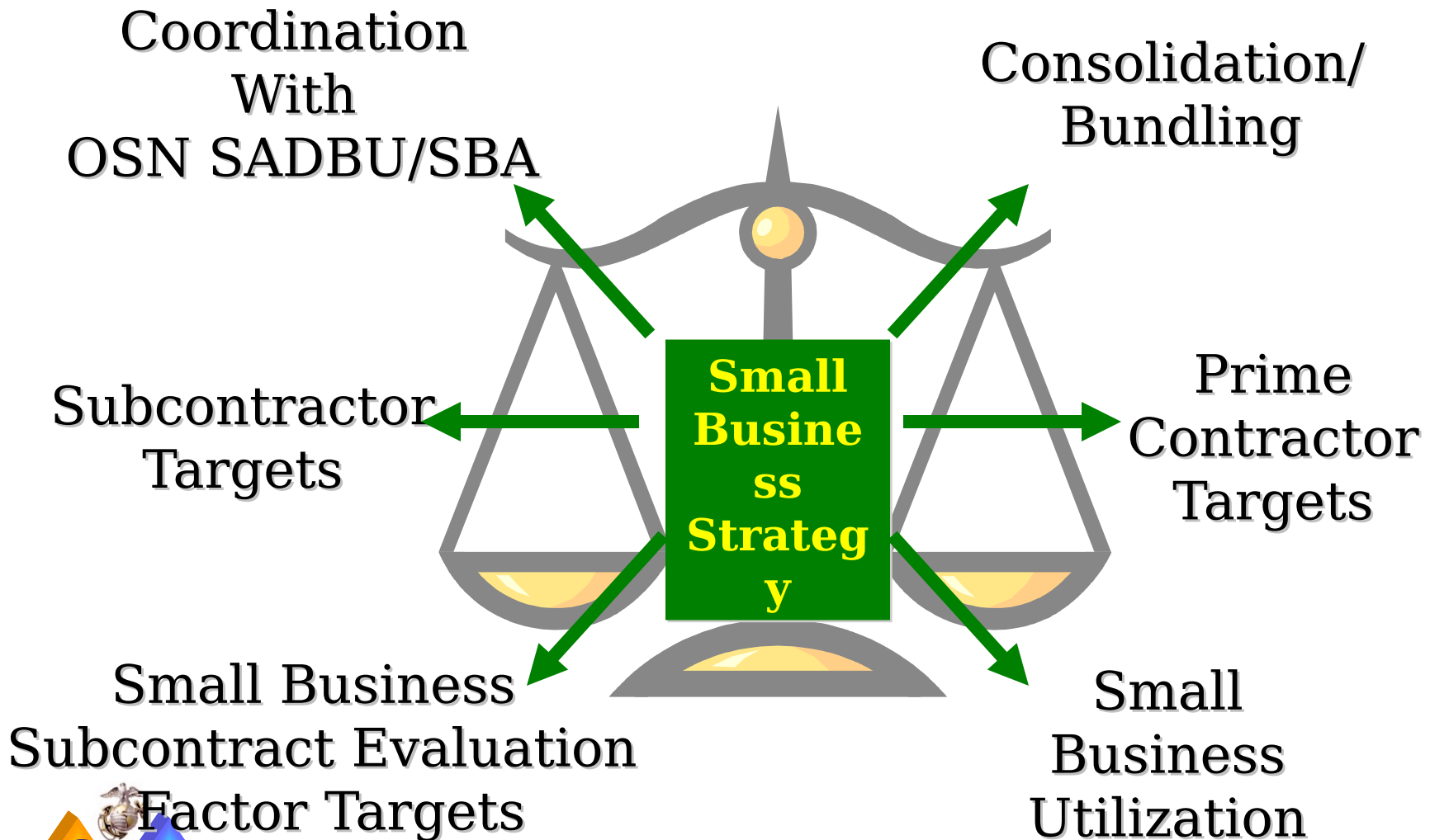


# The Battlefield



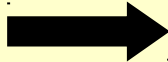
# Small Business Strategy: Balancing Needs

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# Expected Results from SPI

## SPI Overall



### Tangible Savings Results and Required Investments

- 1% per year for PR07 (commitment in Nov 04)
- TBD % per year for POM08 (commitment in Nov 05)

## Initiative Coordination



- Existing initiative deliverables for use with SPI
- Eliminate duplication of effort
- Identify areas requiring further attention

## Process Mapping & Analysis



- Process standardization
- Process best practices
- Acquisition training
- Roles and responsibilities defined
- End-to-end synchronization

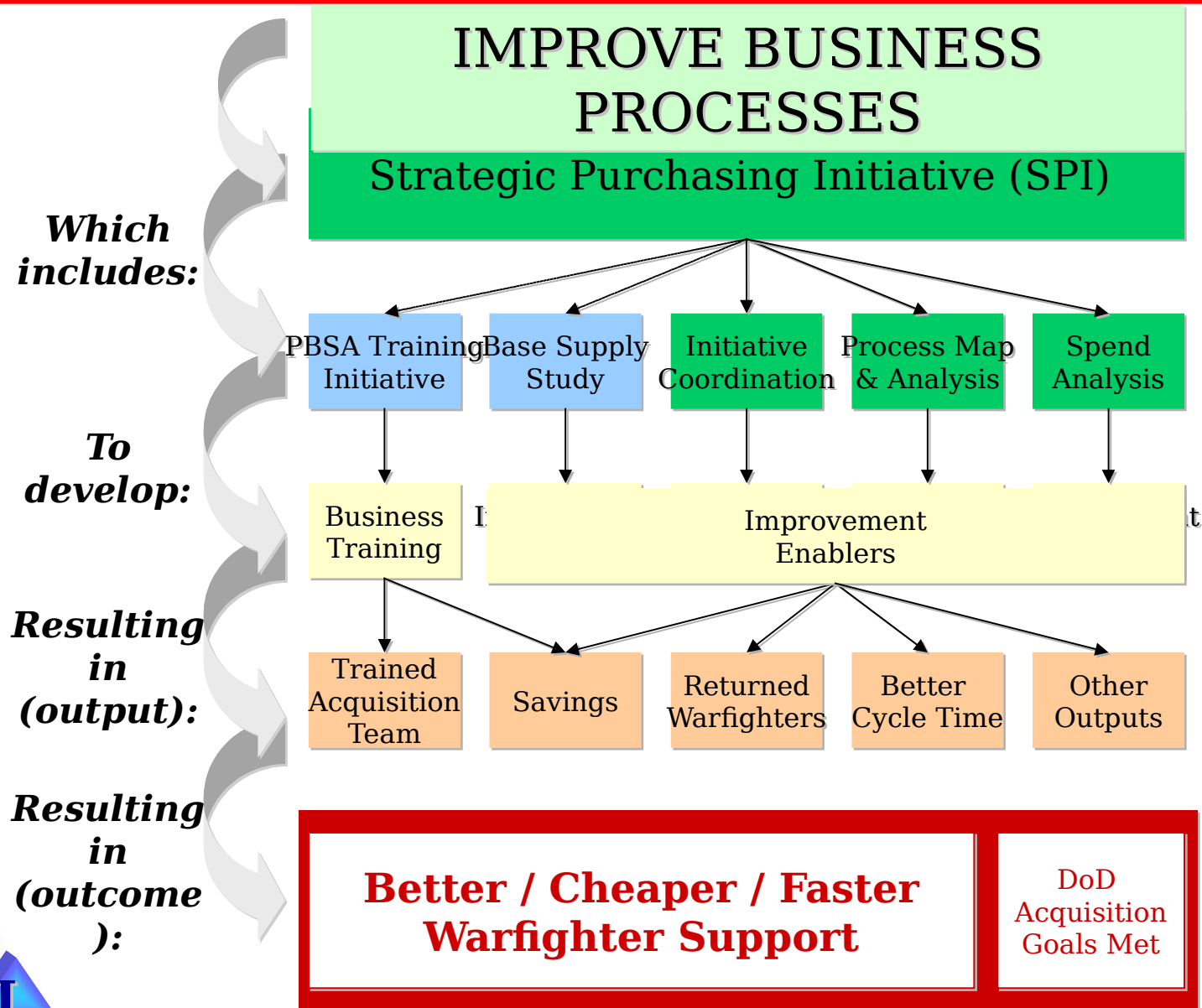
## Spend Analysis



- Purchasing consolidation
- Supplier partnering & DoD partnering



# SPI Vision and Relationships



# Summary

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- **Significant resources are spent in purchasing**
  - Significant amount is for services
  - Significant amount going outside USMC contracting
- **Other organizations have dramatically improved purchasing**
- **Need better skills**
  - To frame and maintain relations to external providers key issue
- **Need to support small business goals**
- **Deliberate program to improve process/reduce costs over POM08 is needed to help CMC finance critical MAGTF investment - without impacting local programs**

# Bottom Line

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**We don't  
promise you  
a rose garden**



THE MARINES ARE LOOKING  
FOR A FEW GOOD MEN

***The Marine Corps is a combat force -- not a business. To be successful, however, we need to support warfighting excellence with well-managed business processes that are both effective and efficient.***

- **M.W. Hagee**

**Commandant of the Marine Corps**

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# **BACKUP SLIDES**

**October 2004**



# 7 Business Processes

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- **Installation Support (DC, I&L)**
- **CSS/Logistics (DC, I&L)**
- **Acquisition (SysCom; DC, I&L)**
- **Information Technology (C4I)**
- **Training (DC/CD/MCCDC)**
- **Financial Management (DC, P&R)**
- **Human Resource Management (DC, M&RA)**